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Kazakhstan: Current Developments and U.S. Interests

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Summary

Kazakhstan is becoming an important power in Central Asia by virtue of its large territory, ample natural resources, and strategic location. However, it faces political, ethnic, economic, and environmental challenges to its stability and integrity. After the terrorist attacks on the United States on September 11, 2001, Kazakhstan granted overflight rights for U.S.-led coalition actions in Afghanistan, and in 2003 provided some troops for post-conflict rebuilding in Iraq. This report may be updated. Related products include CRS Issue Brief IB93108, *Central Asia*, updated regularly.

U.S. Policy¹

Deputy Secretary of State Richard Armitage on April 27, 2004, stated that “Kazakhstan can and should, in my view, serve as a guiding light” in Central Asia, the South Caucasus, and beyond, since it is “the largest, most stable and prosperous Central Asian state.” He praised President Nursultan Nazarbayev for much of Kazakhstan’s progress “on matters of security, on matters of economy, and on matters of political development,” and for making Kazakhstan “a leader in the global non-proliferation effort” and a “key player” in the war against terrorism. The United States seeks the dismantling of Soviet-era facilities in Kazakhstan used to make weapons of mass destruction (WMD) and the re-training of scientists who once worked on WMD. U.S. goals also include fostering democratization, open markets, a favorable investment climate for U.S. firms, and Kazakhstan’s integration into the global economy. The State Department has raised concerns that Kazakhstan’s



Source: Map Resources. Adapted by CRS. (08/02 M.Chin)

¹ Sources for this report include the Foreign Broadcast Information Service (FBIS), *Central Eurasia: Daily Report*; *Eurasia Insight*; *RFE/RL Central Asia Report*; the State Department’s *Washington File*; and *Reuters*, *Associated Press* (AP), and other newswires.

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democratization is flagging, and targets some planned FY2005 aid to maintain citizen participation in politics, support grassroots civic organizations, and develop more responsible local government. A large part of proposed Foreign Military Financing and other equipment and training aid for FY2005 will be used to create a rapid reaction brigade at the Atyrau military base, and to support the Kazakh (formerly Central Asian) Peacekeeping Battalion, to help Kazakhstan “respond to major terrorist threats to oil platforms or borders,” and otherwise “protect Caspian energy infrastructure and key energy transport routes” (State Department, *Congressional Presentation for Foreign Operations, FY2005*). U.S.-Kazakh relations could be troubled by the upcoming U.S. trial of an American charged with passing bribes from oil companies to Kazakh officials.

Cumulative U.S. aid budgeted for Kazakhstan in fiscal years 1992 through 2003 was estimated at \$1.054 billion, with Kazakhstan ranking fifth in aid among the twelve former Soviet republics. The United States also helped deliver Department of Defense excess and privately donated commodities worth \$202.36 million in FY1992-FY2003. Estimated U.S. FREEDOM Support Act and other foreign aid for FY2004 was \$41.57 million, and the Administration requested \$40.22 million for FY2005. The United States also contributes to international organizations that aid Central Asia.

Among Congressional action, Omnibus Appropriations for FY2003 (P.L. 108-7) forbade assistance to the government of Kazakhstan unless the Secretary of State determined and reported that Kazakhstan had significantly improved its human rights record during the preceding six-month period. He could, however, waive this prohibition on national security grounds. He reported on July 17, 2003, that Kazakhstan had made such progress, eliciting some criticism of these findings from Congress. This condition was retained in Consolidated Appropriations for FY2004, including foreign operations (P.L.108-199; signed into law on January 23, 2004).

Contributions to the Campaign Against Terrorism

According to the State Department, Kazakhstan’s strategic importance to the United States did not diminish after the terrorist attacks of September 11, 2001, although the U.S. focus did shift somewhat toward the basing support that Uzbekistan and Kyrgyzstan could provide for coalition action in Afghanistan. In June 2001, Nazarbayev had warned that Taliban influences increasingly threatened regional security, and after 9/11 he pledged that Kazakhstan was ready to assist an international coalition to combat the “evil” of

Kazakhstan: Basic Facts

Area and Population: Land area is 1,049,200 sq. mi.; about four times the size of Texas. The population is 14.9 million (*Economist Intelligence Unit*, 2003 est.).

Ethnicity: 53.4% are Kazakh and 30% are Russian (1999 *Kazakh census*). Other ethnic groups include Uzbeks, Tatars, Uighurs, and Germans.

Gross Domestic Product: \$30.2 billion in 2003; per capita GDP is about \$2,000 (*EIU*, current prices).

Political Leaders: *President:* Nursultan Nazarbayev; *Chair of the Majlis:* Zharmakhan Tuyakbay; *Chair of the Senate:* Nurtay Abykayev; *Prime Minister:* Daniyal Akhmetov; *Foreign Minister:* Kasymzhomart Tokayev; *Defense Minister:* Gen. Mukhtar Altynbayev.

Biography: Nazarbayev, born in 1940, moved up through the ranks of the Kazakh Communist Party (KCP), eventually becoming its First Secretary in 1989. He also was appointed President by the legislature in 1990. He resigned from the KCP in 1991 and won popular election as president in an unopposed race in December 1991. Nazarbayev arranged a call by a pseudo-legislative People’s Assembly for a 1995 referendum to extend his rule. He was re-elected in 1999 and in 2000 gained some official powers for life.

terrorism. He offered overflight rights and the use of airbases, but did not offer troops. Kazakhstan also facilitated the transshipment of supplies to U.S. forces in Uzbekistan and Kyrgyzstan. The United States and Kazakhstan signed a memorandum of understanding on July 10, 2002, permitting U.S. military aircraft to use Kazakhstan's airport in Almaty for emergency military landings. A few days later, another accord was signed providing increased U.S. military training and equipment for the Kazakh armed forces.

Kazakh Foreign Minister Tokayev on March 28, 2003, voiced general support for disarming Iraq. Tokayev later explained that Kazakhstan had decided to support the coalition because it feared that Saddam Hussein was building nuclear and other mass destruction weapons. Reportedly responding to a U.S. appeal, Nazarbayev proposed and the legislature in late May 2003 approved sending military engineers to Iraq. The 27 troops are engaged in de-mining and water purification duties. During a February 25, 2004, visit to Kazakhstan to discuss military cooperation and to thank it for supporting coalition efforts in Iraq, Defense Secretary Donald Rumsfeld stressed that "it is Caspian security ... that is important for [the United States] and it is important to the world that security be assured in that area." In the face of escalating violence in Iraq in April 2004, Nazarbayev asserted that "Kazakhstan has been a member of the anti-terrorist coalition from the start, and we will stay in this coalition." Tokayev appeared less certain, stating that the Kazakh troops would not be removed "in the near future" from Iraq.

Foreign Policy and Defense

Nazarbayev has stated that the geographic location of Kazakhstan and its ethnic makeup dictate its "multipolar orientation toward both West and East." He has pursued close ties with Turkey, trade links with Iran, and better relations with China, which many Kazakhs have traditionally viewed as a security threat. There are over one million ethnic Kazakhs in China, and 300,000 ethnic Uighurs of China residing in Kazakhstan, who have complicated relations between the two states. While seeking to protect Kazakh independence, Nazarbayev has pursued close relations with Russia and other Commonwealth of Independent States (CIS) members for economic and security reasons. In 1998, Kazakhstan and Russia signed a Declaration of Eternal Friendship and Alliance Cooperation in which they pledged to assist each other in the case of threats against each other, including by providing military support. They signed accords settling Caspian seabed resource claims in 1998 and 2002. In April 2004, Nazarbayev raised concerns that the escalating Israeli-Palestinian conflict threatened to intensify Islamic discontent and extremism in Central Asia, and he offered to help mediate the conflict.

The Kazakh military has been beset by funding and training problems that have forced it to rely on Russia, although Nazarbayev has also moved to expand defense cooperation with other states. About 65,800 Kazakh troops serve in the ground forces, air force, and a minuscule Caspian Sea force, and 15,000 in the border guards, according to *The Military Balance 2003-2004*. A February 2000 military doctrine calls for balancing security assistance from both Russia and the West, and lists international terrorism, WMD proliferation to extremists, and regional conflict as major threats. Nazarbayev signed a decree in May 2003 to reform the Kazakh armed forces and has boosted military spending. In 1994, Kazakhstan joined NATO's Partnership for Peace (PFP). In early 1999, Kazakhstan reaffirmed a CIS Collective Security Treaty (CST) pledging the parties to provide military assistance in case of aggression against any one of them. CST members in May 2001 agreed to set up an anti-terrorism rapid reaction

center composed largely of Russian military forces stationed in Tajikistan. Kazakhstan is also a member of the Shanghai Cooperation Organization, composed of Russia, China, and the Central Asian states (except Turkmenistan), which will combat regional terrorism and facilitate trade ties. Kazakhstan has taken part in NATO's PFP exercises since 1995. Kazakhstan inherited major Soviet-era stockpiles of weapons and produces small arms. Some arms sales to North Korea and other rogue states have drawn U.S. criticism.

After the Soviet breakup, Kazakhstan was on paper a major nuclear weapons power (in reality Russia controlled these weapons). All bombers and their air-launched cruise missiles were removed to Russia by late February 1994. On April 21, 1995, the last of about 1,040 nuclear warheads had been removed from the SS-18 missiles and transferred to Russia, and Kazakhstan announced that it was nuclear weapons-free. In December 1993, the United States and Kazakhstan signed an umbrella agreement for the "safe and secure" dismantling of 104 SS-18s, the destruction of their silos, and related purposes. A U.S.-Kazakh Nuclear Risk Reduction Center in Almaty has been set up to facilitate verification and compliance with arms control and security agreements to enhance peace and prevent the proliferation of weapons of mass destruction.

Political and Economic Developments

Kazakhstan's moves toward democracy have been halting. The Kazakh Constitutional Court ruled in early 1995 that a new legislature had been elected unfairly, and Nazarbayev dissolved it (critics argued that it had begun to challenge his powers). He ruled by decree pending the writing of a new constitution and the holding of new elections. The 1995 constitution increases the president's powers and places less emphasis on protecting human rights. As fleshed out by a presidential edict, the legislature does not control the budget, cannot initiate constitutional changes, or exercise oversight over the executive branch. The president's nominees for premier and state bank head are ratified by the legislature, but he appoints the rest of the cabinet. Most bills are initiated by the president, and if the legislature fails within 30 days to pass one of his "urgent" bills, he may issue it by decree. . In 2001, the Constitutional Council struck down a bill initiated by deputies providing for staffs, reminding them that they do not control their own budget. An extra-constitutional 327-member People's Assembly composed of cultural and ethnic leaders serves as a presidential propaganda forum.

As in other former Soviet republics, land privatization has proven controversial, and in April 2003 aroused the Kazakh Majlis to make major changes to a government bill. Then-Prime Minister Imangaliy Tasmagambetov reacted by calling for a vote of confidence in the government, aimed at taking advantage of a legal provision that the government's version of the land bill would thereby be enacted unaltered if confidence was sustained. About three-fourths of the Majlis voted no-confidence, but the Senate voted heavily the other way, resulting in a total vote short of the two-thirds required to either dissolve the government or the Majlis. Despite this victory for the government, public discontent over the bill led Nazarbayev to request the government's resignation in June 2003 and to suggest alterations to the original bill, some in keeping with Majlis proposals, that were speedily approved and signed into law.

In October 1998, the Kazakh legislature approved constitutional amendments that enabled Nazarbayev to call an early presidential race for January 1999 and extended the president's term from five to seven years. The U.S. State Department in November 1998

criticized a decision of the Kazakh Central Electoral Commission (CEC) and Supreme Court that the most influential opposition figure, Akezhen Kazhegeldin, was ineligible to run. Three candidates were registered besides Nazarbayev, but only one was a true opposition candidate. The CEC reported that Nazarbayev had won with 79.8% of about seven million votes cast. The U.S. State Department declared that the race had set back democratization and impaired U.S.-Kazakh relations. In June 2000, the legislature voted some lifetime powers to Nazarbayev, even after he steps down, as head of the Defense Council and the People's Assembly, along with immunity from prosecution.

The most recent election to Kazakhstan's lower legislative chamber, the Majlis, took place in October 1999, with 595 candidates and nine parties competing for 77 seats (ten more seats were reserved for a party list vote). OSCE monitors concluded that the race was "a tentative step" in democratization, but decried interference by officials, biased electoral commissions, unfair campaigning by pro-government parties, and harassment of opposition candidates. Members of Kazakhstan's 39-seat upper legislative chamber, the Senate, represent the regions and are indirectly elected by local assemblies (seven members, however, are appointed by Nazarbayev and serve at his will). By-elections to the Majlis in late 2002 and Maslikhat (local legislative) elections in September-October 2003 were marked by irregularities, according to the State Department, raising concerns about prospects for the Majlis election planned for October 2004. In April 2004, Deputy Secretary Armitage stated that "with the example of Georgia's 'rose revolution' on everyone's mind, Kazakhstan could be a positive role model for peaceful change" in the region if it held a free and fair Majlis race.

In 2002, the Justice Ministry announced stringent new registration requirements for political parties, which resulted in the elimination of eleven parties and the successful re-registration of seven pro-government parties and the "moderate opposition" Ak Zhol party. The opposition party Democratic Choice (DCP) repeatedly has been denied registration, which perhaps spurred some members in 2002 to split off and form Ak Zhol. In addition to these eight parties, the newly formed Asar Party (led by Nazarbayev's daughter) was successfully registered at the end of 2003. In February 2004, the unregistered People's Party and DCP formed a coalition.

The U.S. State Department concluded in its *Country Reports on Human Rights Practices for 2003* that the Kazakh government's human rights record remained poor (the June 2003 certification to Congress — see above — cited significant improvement in human rights). Security forces tortured, beat, and otherwise mistreated detainees on some occasions, although some officials in 2003 were punished under new provisions criminalizing torture. The government took some moves to improve harsh prison conditions and the treatment of prisoners. It continued to use arbitrary arrest and detention and selectively prosecute political opponents, and to use criminal and civil charges, physical attacks, and vandalism to eliminate most media that criticized Nazarbayev. Unapproved public meetings, marches, demonstrations, picketing, and strikes were suppressed as national security threats. The central government mostly respected religious freedom. The government reported in 2003 that there were about 1,500 privately owned media, but some were owned by the president's family and most relied on state subsidies or state-controlled printing and distribution. Nationwide television and radio broadcasting were largely state-owned or influenced. In April 2004, domestic and international criticism of restrictive media legislation apparently led Nazarbayev (who had orchestrated the legislation) to decide against signing it into law.

Kazakhstan is the most economically developed of the former Soviet Central Asian republics. According to the *World Bank*, Kazakhstan's economic prospects are promising because of its vast energy and mineral resources, low foreign debt, and well-trained work force. In March 2004, Nazarbayev stressed that ties with the United States include \$7.5 billion in private investment in Kazakhstan's energy and other sectors, about one-third of all international investment. Foreign investors are members of a presidential council that meets semiannually. Fiscal reforms and increased energy prices and exports contributed to GDP growth of 9.1% in 2003, and consumer price inflation averaged 6.8% (*EIU*). About one-fourth of the population lives below the poverty level, according to some estimates. Sparse social services have exacerbated poverty and health problems, with the government seeking to engage Western energy firms to provide some services.

Energy. Second to Russia, Kazakhstan has the largest oil and gas reserves of the Caspian Sea regional states, holding promise of large export revenues. The U.S. Energy Department in mid-2003 estimated that there were 9-17.6 billion barrels of proven and possible oil reserves and 65 trillion cubic feet (tcf) of proven gas reserves in Kazakhstan. The Tengiz oilfield began to be exploited by Chevron-Texaco and Kazakhstan in a consortium during 1993 (U.S. Exxon-Mobil and Russia's LUKoil later joined). The Karachaganak onshore field is being developed by British Gas and Italy's Agip oil firm, who estimate reserves of more than 2.4 billion barrels of oil and 16 tcf of gas. In 2002, another consortium led by Agip reported findings from its test wells and research that Kazakhstan's Kashagan offshore Caspian oil field had between 7-9 billion barrels of oil in proven reserves, comparable to those of Tengiz. Kazakhstan's oil exports currently are about one million barrels per day (bpd). Armitage stated in April 2004 that "Kazakhstan could well be producing over three million bpd by the end of this decade, making [it] one of the world's top five oil-exporting nations." Infrastructure development problems have limited gas production and even necessitated gas imports. Investment in developing Kashagan and other fields has been set back in recent months by harsher government terms, taxes, and fines.

Russia seeks maximum influence over Kazakhstan's energy resources by providing the primary pipeline export routes and by becoming involved in production. Russian shareholders have a controlling interest, 44 percent, in the Caspian pipeline consortium (CPC), which completed construction in late 2001 of a 990-mile oil pipeline from Kazakhstan to Russia's Black Sea port of Novorossiysk that initially carries 560,000 bpd. President Bush stated that the CPC project "advances my Administration's National Energy Policy by developing a network of multiple Caspian pipelines ... [that] help diversify U.S. energy supply and enhance our energy security." Kazakhstan has indicated that it will use the oil pipeline being built from Baku, Azerbaijan, to Ceyhan, Turkey, as a means to reduce its dependence on energy export routes through Russia. Kazakhstan currently transports about 100,000 bpd by rail and barge to Baku. China and Kazakhstan are building an oil pipeline from Atyrau on the Caspian seacoast to Alashankou on the Kazakh-China border, where it will be connected to another prospective pipeline.